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OK

November 20, 2001

Rick Olsen, General Manager
Canyon Fuel Company, LLC.
P.O. Box 1029
Wellington, Utah 84542

Re: Temporary Facility Relocation, Canyon Fuel Company, LLC., Dugout Mine, C/007/039-AM01J, Outgoing File

Dear Mr. Olsen:

The above-referenced amendment has been reviewed. There is a deficiency that must be adequately addressed prior to approval. A copy of our Technical Analysis is enclosed for your information. In order for us to continue to process your application, please respond to this deficiency by February 19, 2002.

If you have any questions, please call me at (801) 538-5268 or Stephen J. Demczak at (435) 613-5242.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Pamela Grubaugh-Littig'.

Pamela Grubaugh-Littig
Permit Supervisor

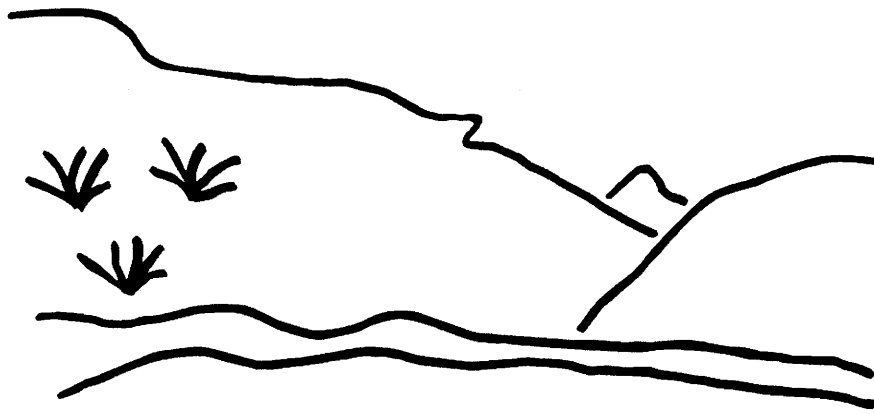
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Enclosure

cc: Price Field Office

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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Dugout Canyon Mine
Temporary Facility Relocation
C/007/039-01J
Technical Analysis
November 19, 2001

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TECHNICAL ANALYSIS

INTRODUCTION

The permittee has submitted an amendment to move the temporary facilities to the pad area directly next to the truck Loadout. These structures are mobile trailers and were to be used until a permanent building was to be constructed. The permanent building has been approved and bonded since the permit was issued. The permittee has now received approval from their management to construct the new bathhouse/office/shop building. The location of the new building is where the mobile trailers are today. The relocation of the trailers will have no major impacts since they will be within the disturbed area.

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INTRODUCTION

SUMMARY OF OUTSTANDING DEFICIENCIES

SUMMARY OF DEFICIENCIES

The Technical Analysis of the proposed permit changes cannot be completed at this time. Additional information is requested of the permittee to address deficiencies in the proposal. A summary of deficiencies is provided below. Additional comments and concerns may also be found within the analysis and findings made in this Draft Technical Analysis. Upon finalization of this review, any deficiencies will be evaluated for compliance with the regulatory requirements. Such deficiencies may be conditioned to the requirements of the permit issued by the Division, result in denial of the proposed permit changes, or may result in other executive or enforcement action as deemed necessary by the Division at that time to achieve compliance with the Utah Coal Regulatory Program.

Accordingly, the permittee must address those deficiencies as found within this Draft Technical Analysis and provide the following, prior to approval, in accordance with the requirements of:

Regulations

R645-301-800, The permittee must give information how the trailers and storage containers are going to be disposed of, i.e. landfill or other means. The cost of disposal will need to be included in the bonding estimates. Information is needed on how the cost numbers were derived. The permittee will need to recalculate the total cost of disposal of the storage containers. 9

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SUMMARY OF OUTSTANDING DEFICIENCIES

OPERATION PLAN

OPERATION PLAN

MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS

Regulatory Reference: 30 CFR 784.23; R645-301-512, -301-521, -301-542, -301-632, -301-731, -302-323.

Minimum Regulatory Requirements:

Each application shall contain maps, plans, and cross sections which show the mining activities to be conducted, the lands to be affected throughout the operation, and any change in a facility or feature to be caused by the proposed operations, if the facility or feature was shown and described as an existing structure.

The following shall be shown for the proposed permit area:

Affected area maps

The boundaries of all areas proposed to be affected over the estimated total life of all mining activities and reclamation activities, with a description of size, sequence, and timing of phased reclamation activities and treatments. All maps and cross sections used for mining design and mining operations shall clearly show the affected and permit area boundaries in reference to the reclamation work being accomplished.

Mining facilities maps

Location of each facility used in conjunction with mining operations. Such structures and facilities shall include, but not be limited to: buildings, utility corridors, roads, and facilities to be used in mining and reclamation operations or by others within the permit area; each coal storage, cleaning, and loading area; each topsoil, spoil, coal preparation waste, underground development waste, and noncoal waste storage area; each water diversion, collection, conveyance, treatment, storage and discharge facility; each source of waste and each waste disposal facility relating to coal processing or pollution control; each facility to be used to protect and enhance fish and wildlife related environmental values; each explosives storage and handling facility; location of each sedimentation pond, permanent water impoundment, coal processing waste bank, and coal processing water dam and embankment, and disposal areas for underground development waste and excess spoil; and, each plan or profile, at cross sections specified by the Division, of the anticipated surface configuration to be achieved for the affected areas during mining operations.

Mine workings maps

Location and extent of known workings of proposed, active, inactive, or abandoned underground mines, including mine openings to the surface within the proposed permit and adjacent areas. Location and extent of existing or previously surface-mined areas within the proposed permit area.

Monitoring and sampling location maps

Elevations and locations of test borings and core samplings. Elevations and locations of monitoring stations used to gather data on water quality and quantity, subsidence, fish and wildlife, and air quality, as required during mining operations.

Certification Requirements

Cross sections, maps, and plans required to show the design, location, elevation, or horizontal or vertical extent of the land surface or of a structure or facility used to conduct mining and reclamation operations shall be prepared by, or under the direction of, and certified by a qualified, registered, professional engineer, a professional geologist, or in any State which authorizes land surveyors to prepare and certify such cross sections, maps, and plans, a qualified, registered, professional land surveyor, with assistance from experts in related fields such as landscape architecture.

Each detailed design plan for an impounding structure that meets or exceeds the size or other criteria of the Mine Safety and Health Administration, 30 CFR Section 77.216(a) shall: be prepared by, or under the direction of, and certified by a qualified registered professional engineer with assistance from experts in related fields such as geology, land surveying, and landscape architecture; include any geotechnical investigation, design, and construction requirements for the structure; describe the operation and maintenance requirements for each structure; and, describe the timetable and plans to remove each structure, if appropriate.

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Each detailed design plan for an impounding structure that does not meet the size or other criteria of 30 CFR Section 77.216(a) shall: be prepared by, or under the direction of, and certified by a qualified, registered, professional engineer, or in any State which authorizes land surveyors to prepare and certify such plans, a qualified, registered, professional land surveyor, except that all coal processing waste dams and embankments shall be certified by a qualified, registered, professional engineer; include any design and construction requirements for the structure, including any required geotechnical information; describe the operation and maintenance requirements for each structure; and, describe the timetable and plans to remove each structure, if appropriate.

Analysis:

Mining Facilities Maps

The surface facilities map Plate 5-2 has been revised to show the new temporary site of the mobile trailers. The current site of the temporary trailers will be the location of the new permanent facilities building. The surface facilities map Plate 5-2 is P.E. certified by David Spillman badge number 151610.

Findings:

The permittee has met the minimum requirements of this section of the R645 Coal Rules.

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RECLAMATION PLAN

GENERAL REQUIREMENTS

Regulatory Reference: PL 95-87 Sec. 515 and 516; 30 CFR 784.13, 784.14, 784.15, 784.16, 784.17, 784.18, 784.19, 784.20, 784.21, 784.22, 784.23, 784.24, 784.25, 784.26; R645-301-231, -301-233, -301-322, -301-323, -301-331, -301-333, -301-341, -301-342, -301-411, -301-412, -301-422, -301-512, -301-513, -301-521, -301-522, -301-525, -301-526, -301-527, -301-528, -301-529, -301-531, -301-533, -301-534, -301-536, -301-537, -301-542, -301-623, -301-624, -301-625, -301-626, -301-631, -301-632, -301-731, -301-723, -301-724, -301-725, -301-726, -301-728, -301-729, -301-731, -301-732, -301-733, -301-746, -301-764, -301-830.

Minimum Regulatory Requirements:

Provide a plan for the reclamation of the lands within the proposed permit area, showing how the applicant will comply with the regulatory program and the environmental protection performance standards. The plan shall include, at a minimum, contain the following information for the proposed permit area: a detailed timetable for the completion of each major step in the reclamation plan; a detailed estimate of the cost of the reclamation of the proposed operations required to be covered by a performance bond, with supporting calculations for the estimates; a plan for backfilling, soil stabilization, compacting, and grading, with contour maps or cross sections that show the anticipated final surface configuration of the proposed permit area; a plan for redistribution of topsoil, subsoil, and other material along with a demonstration of the suitability of topsoil substitutes or supplements shall be based upon analysis of the thickness of soil horizons, total depth, texture, percent coarse fragments, pH, and areal extent of the different kinds of soils; other chemical and physical analyses, field-site trials, or greenhouse tests if determined to be necessary or desirable to demonstrate the suitability of the topsoil substitutes or supplements may also be required; a plan for revegetation including, but not limited to, descriptions of the schedule of revegetation, species and amounts per acre of seeds and seedlings to be used, methods to be used in planting and seeding, mulching techniques, irrigation, if appropriate, and pest and disease control measures, if any, measures proposed to be used to determine the success of revegetation, and, a soil testing plan for evaluation of the results of topsoil handling and reclamation procedures related to revegetation; a description of the measures to be used to maximize the use and conservation of the coal resource; a description of measures to be employed to ensure that all debris, acid-forming and toxic-forming materials, and materials constituting a fire hazard are disposed of accordingly and a description of the contingency plans which have been developed to preclude sustained combustion of such materials; a description, including appropriate cross sections and maps, of the measures to be used to seal or manage mine openings, and to plug, case, or manage exploration holes, other bore holes, wells, and other openings within the proposed permit area; and, a description of steps to be taken to comply with the requirements of the Clean Air Act, the Clean Water Act, and other applicable air and water quality laws and regulations and health and safety standards.

Analysis:

There is no earthwork required to remove any of these mobile building during reclamation.

Findings:

The permittee has met the minimum requirements of this section of the R645 Coal Rules.

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR 800; R645-301-800, et seq.

Minimum Regulatory Requirements:

General

After a permit application has been approved, but before a permit is issued, the applicant shall file with the Division, on a form prescribed and furnished by the Division, a bond or bonds for performance made payable to the Division and conditioned upon

RECLAMATION PLAN

the faithful performance of all the requirements of the Act, the regulatory program, the permit, and the reclamation plan.

The bond or bonds shall cover the entire permit area, or an identified increment of land within the permit area upon which the operator will initiate and conduct surface coal mining and reclamation operations during the initial term of the permit. As surface coal mining and reclamation operations on succeeding increments are initiated and conducted within the permit area, the permittee shall file with the Division an additional bond or bonds to cover such increments.

The operator shall identify the initial and successive areas or increments for bonding on the permit application map and shall specify the bond amount to be provided for each area or increment. Independent increments shall be of sufficient size and configuration to provide for efficient reclamation operations should reclamation by the Division become necessary.

An operator shall not disturb any surface areas, succeeding increments, or extend any underground shafts, tunnels, or operations prior to acceptance by the Division of the required performance bond.

The applicant shall file, with the approval of the Division, a bond or bonds under one of the following schemes to cover the bond amounts for the permit area as determined: a performance bond or bonds for the entire permit area; a cumulative bond schedule and the performance bond required for full reclamation of the initial area to be disturbed; or, an incremental-bond schedule and the performance bond required for the first increment in the schedule.

Form of bond

The Division shall prescribe the form of the performance bond. The Division may allow for: a surety bond; a collateral bond; a self-bond; or a combination of any of these bonding methods.

Performance bond liability shall be for the duration of the surface coal mining and reclamation operation and for a period which is coincident with the operator's period of extended responsibility for successful revegetation or until achievement of the reclamation requirements of the Act, regulatory programs, and permit, whichever is later.

With the approval of the Division, a bond may be posted and approved to guarantee specific phases of reclamation within the permit area provided the sum of phase bonds posted equals or exceeds the total amount required. The scope of work to be guaranteed and the liability assumed under each phase bond shall be specified in detail.

Isolated and clearly defined portions of the permit area requiring extended liability may be separated from the original area and bonded separately with the approval of the Division. Such areas shall be limited in extent and not constitute a scattered, intermittent, or checkerboard pattern of failure. Access to the separated areas for remedial work may be included in the area under extended liability if deemed necessary by the Division.

The bond liability of the permittee shall include only those actions which he or she is obligated to take under the permit, including completion of the reclamation plan, so that the land will be capable of supporting the postmining land use approved. Implementation of an alternative postmining land use which is beyond the control of the permittee, need not be covered by the bond. Bond liability for prime farmland shall be specific to include productivity requirements.

Determination of bond amount

The amount of the bond required for each bonded area shall: be determined by the Division; depend upon the requirements of the approved permit and reclamation plan; reflect the probable difficulty of reclamation, giving consideration to such factors as topography, geology, hydrology, and revegetation potential; and, be based on, but not limited to, the estimated cost submitted by the permit applicant.

The amount of the bond shall be sufficient to assure the completion of the reclamation plan if the work has to be performed by the Division in the event of forfeiture, and in no case shall the total bond initially posted for the entire area under 1 permit be less than \$10,000.

An operator's financial responsibility for repairing material damage resulting from subsidence may be satisfied by the liability insurance policy required in this section.

Terms and conditions for liability insurance

The Division shall require the applicant to submit as part of its permit application a certificate issued by an insurance company authorized to do business in the United States certifying that the applicant has a public liability insurance policy in force for the surface coal mining and reclamation operations for which the permit is sought. Such policy shall provide for personal injury and property damage protection in an amount adequate to compensate any persons injured or property damaged as a result of the surface coal mining and reclamation operations, including the use of explosives, and who are entitled to compensation under the applicable provisions of State law. Minimum insurance coverage for bodily injury and property damage shall be \$300,000 for each occurrence and \$500,000 aggregate.

The policy shall be maintained in full force during the life of the permit or any renewal thereof and the liability period necessary to complete all reclamation operations under this Chapter.

The policy shall include a rider requiring that the insurer notify the Division whenever substantive changes are made in the

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policy including any termination or failure to renew.

The Division may accept from the applicant, in lieu of a certificate for a public liability insurance policy, satisfactory evidence from the applicant that it satisfies applicable State self-insurance requirements approved as part of the regulatory program and the requirements of this section.

Analysis:

General

The permittee has submitted bonding calculations for the three trailers and seven storage containers. These temporary buildings were not included in the current bond. But, there was sufficient amount of money because the bathhouse/office building was not constructed. Now that the bathhouse/office building is going to be constructed, a determination of having sufficient bond is necessary.

The permittee has determined \$3,000 for trailer removal off-site, and \$200 for storage container removal off-site. How were these numbers determined? Did the permittee use Means or Bluebook or another method? The permittee needs to explain how these three mobile trailers and seven storage containers are going to be disposed of and what the cost of disposal is going to be.

The Dugout Canyon Mine reclamation bond estimate has seven storage containers at \$200 each to remove for a total cost of \$14,000. There is an error in the calculation.

Findings:

The information provided in the proposed amendment is not considered adequate to meet the requirements of this section. Prior to approval, the permittee must provide the following in accordance with:

R645-301-800, The permittee must give information how the trailers and storage containers are going to be disposed of, i.e. landfill or other means. The cost of disposal will need to be included in the bonding estimates. Information is needed on how the cost numbers were derived. The permittee will need to recalculate the total cost of disposal of the storage containers.

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